

A review supported by the  
Better Regulation Executive  
and National Audit Office

# Security Industry Authority:

A Hampton Implementation Review Report

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## Foreword

Philip Hampton's report: Reducing administrative burdens: effective inspection and enforcement, published in 2005, is one of the cornerstones of the government's better regulation agenda. The principles of effective inspection and enforcement set out in the report, putting risk assessment at the heart of regulatory activity, are designed to encourage a modern regulatory system which properly balances protection and prosperity. Since 2005, the Government has established an expectation that regulators will embed these principles in their approach to regulation.

In November 2006, the Chancellor of the Exchequer invited the National Audit Office and the Better Regulation Executive to develop a process of external review to assess how much progress regulators had made in implementing the principles of Hampton.

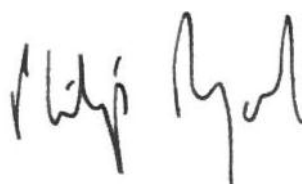
"Hampton Implementation Reports" covering the work of five major regulators were published in March 2008. The review process is continuing. At this point in the cycle we are publishing the results of reviews of two regulators, each of which has a significant impact on its specific economic sector. Together, the Security Industry Authority and Gangmasters Licensing Authority cover a wide range of economic activity, and work to protect our interests. How they carry out their regulatory activities matters.

Full implementation of Philip Hampton's recommendations is a journey that could take several years. This review is a 'snapshot' in time of the progress of each regulator towards his vision.

Each of the reviews found examples of innovation and initiative by regulators who continue to move the regulatory agenda forward, as well as areas for further improvement.

The assessments were carried out by teams of reviewers with wide ranging experience and expertise in the field of regulation. Talking to a wide range of stakeholders, to staff at all levels within the regulator's organisation, through visits to business sites and analysis of data and papers, the review teams have reached the findings and conclusions set out in these reports. The reports reflect the judgement of these review teams on the basis of the evidence put before them.

We would like to thank all of those who have continued to make these reviews a success. In particular, we are grateful to the regulators and their staff for providing support and making evidence available to the review teams, and to all the organisations that generously gave their time to offer evidence to the reviews. Finally, we are extremely grateful to all our reviewers, and their employers, for their involvement, enthusiasm and commitment to this project.



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## Summary and conclusions

This is one of a series of reviews of regulatory bodies focusing on the assessment of regulatory performance against the Hampton principles and Macrory characteristics of effective inspection and enforcement. It was carried out by a team drawn from the Better Regulation Executive, the National Audit Office (NAO), the Trading Standards Institute, and the Charity Commission. See Appendix 1 for review team membership.

The Hampton Report, published in 2005, is one of the cornerstones of the Government's better regulation agenda and regulators have been working since to embed its principles in their approach to regulation. This review is designed to identify where a regulator is on the road to full implementation and the issues each needs to address in order to become Hampton-compliant.

The Review Team is grateful to the Security Industry Authority for their work before and during the review in facilitating our work. Staff throughout the SIA participated openly and helpfully with the review process. We are also grateful for the contribution of the SIA's stakeholders for their helpful insights into the nature of the industry and the wider context within which the SIA operates, and particularly to those businesses who helped us understand issues arising from regulation in the sector.

### What we found

The Security Industry Authority (SIA) puts a high priority on regulating in line with the Hampton and Macrory Principles. This is reflected through all its key publications, and awareness of the spirit of the principles, notably the importance of working with businesses to secure compliance, runs throughout the organisation. However, the Review Team found that there were a number of areas, notably about integrating feedback from the industry and intelligence more fully into strategic planning, and working with the industry

to develop a more effective approach to improving standards, that need some attention before the SIA can be regarded as fully Hampton compliant. We believe that the SIA is in a strong position to make these changes relatively easily.

The following list and table summarise our specific findings:

- The SIA places a high priority on implementing the Hampton and Macrory principles
- The SIA's Approved Contractor Scheme has helped raise standards in the industry while avoiding some of the possible associated burdens
- There are a number of additional benefits arising from work with the Approved Contractors Scheme, including better exchange of good practice within the industry
- We found good evidence that some of the issues around licensing services which have affected the regulator in the early stages of its work are being resolved
- While stakeholders thought that communications with the industry had been problematic, their consensus view was that this is improving. The SIA is beginning to engage constructively and proactively with business.
- There is a strong perception amongst stakeholders that, while criminality in the sector has not been eliminated, it has been reduced as a result of the SIA's work

## Issues for follow-up

The following table sets out the key issues that the Review Team believes the Security Industry Authority needs to address to meet the

Hampton criteria more fully, measured against some of the symptoms<sup>1</sup> that we were looking for as evidence of Hampton compliance.

Issue to be addressed	Hampton symptom
<p><b>The link between high-level risks and the SIA's strategy for achieving compliance needs to be stronger</b></p> <p>While risk assessment is well integrated into the compliance and enforcement work of the Authority, we were less convinced that a clear analysis of risks and a prioritisation of action against them had been fully integrated into its strategic planning.</p> <p>The SIA Corporate Plan and Business Plan did not in this sense fully reflect the risks that are set out in the SIA's strategic assessment. We have a number of relevant findings throughout this Report.</p>	<ul style="list-style-type: none"> <li>Regulators, and the regulatory system as a whole, should use comprehensive risk assessment to concentrate resources on areas that need them most.</li> </ul>
<p><b>More customer focus is needed in guidance and other forms of communication</b></p> <p>The SIA faces a number of challenges in communicating with a range of its stakeholders: the industry itself is diverse, but it also needs to communicate effectively with buyers of security, as well as those individuals who are required to hold licences and are therefore critical to the whole regulatory regime.</p> <p>We found that more customer focus needs to be brought to bear in many of these cases. The SIA has gone some way to improving the licensing service it provides, but needs to review its strategy for reaching its key audiences in a form that meets their needs.</p>	<ul style="list-style-type: none"> <li>There is a strategic approach to the provision of advice and guidance, and appropriate resources are devoted to delivering it.</li> </ul>

<sup>1</sup> From Hampton Implementation Reviews: Guidance for Review Teams, National Audit Office and Better Regulation Executive, May 2007

Issue to be addressed	Hampton symptom
<p><b>The respective responsibilities of the regulator and the regulated sector – especially regarding standards in the security industry – need to be clarified</b></p> <p>The SIA’s responsibilities in relation to the regulated sector are unusual in comparison with other Hampton regulators. It has a role in improving the industry’s wider standards, as well as providing basic assurances against key risks.</p> <p>We found that expectations from the industry on the SIA itself were unrealistic in some areas, and that (notably in key areas like the Approved Contractor Scheme and the training requirements for licences) there is scope for the SIA to set a clearer lead for the industry itself in working towards an accreditation and development framework which meet their needs more fully. We believe that further work with the industry to establish a better understood and accepted division of responsibilities, including more of a shared ownership approach, would serve as an effective way of addressing some of their demands for improved standards.</p>	<ul style="list-style-type: none"> <li>• The regulator considers and adopts a range of regulatory approaches to achieve its outcomes, where appropriate.</li> </ul>
<p><b>Finding the right balance between work with partners and independent action</b></p> <p>The SIA has a large number of partners with whom it works in improving compliance with the law. There are a number of significant overlaps with the police and local authorities for instance, both of whom share the SIA’s interest in reducing street violence and disorder.</p> <p>There are a range of options open to the SIA: collaborative working where this is possible, working indirectly through their partners where there is sufficient incentive, and acting independently in cases where the interests are not so closely aligned.</p> <p>The SIA is committed to joint working, and has worked hard to develop partnerships with national agencies like the UK Borders Agency, local enforcers including the police and local authorities, as well as private sector bodies with an impact on standards in the security sector.</p> <p>The Review Team believes however that the SIA has yet to find the right balance between partnership working, those cases where “direct action” might be appropriate, and other cases where indirect leverage through its partners might be used more effectively.</p>	<ul style="list-style-type: none"> <li>• The regulator co-ordinates its work with other regulators operating in the sector.</li> </ul>

Issue to be addressed	Hampton symptom
<p><b>The SIA Enforcement Policy does not give enough clarity on how it reaches enforcement decisions in specific cases</b></p> <p>The SIA needs to give more clarity and transparency on the decisions it makes in deciding on how to tackle non-compliance in specific cases.</p> <p>The SIA has publicised details of specific enforcement actions and given a clear public account of its overall approach through its enforcement website, but we found that its Enforcement Policy does not give enough clarity to businesses and individuals who might be involved in specific enforcement actions. More could be said about the way in which the sanctions available to it (including intermediate and informal steps that fall short of prosecution) will be used, and the factors that the SIA will take into account when choosing to take enforcement action. We believe this is key to developing confidence in the regulatory regime.</p>	<ul style="list-style-type: none"><li>• There is transparency in the decision-making process.</li></ul>

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## Introduction

- 1 This review of the Security Industry Authority (SIA) aims to provide a structured check on performance against the principles and characteristics set out in the Hampton and Macrory reports (see Appendix 2). The team reviewed the SIA against a performance framework<sup>2</sup> developed by the Better Regulation Executive and the NAO, which provides a guide for reviewers on the kind of evidence to look for and questions to consider. However, the process is not the same in scope or depth as a full value for money audit of economy, efficiency and effectiveness and the Review Team's conclusions are based on a combination of evidence and judgement. A brief description of the scope of the review and methods employed is at Appendix 3.
- 2 The SIA was established in April 2003, under the Private Security Industry Act 2001 (PSIA 2001). The Act implemented proposals that were originally put forward by the Home Office in 1999.<sup>3</sup> The Authority's two key roles are to reduce criminality in the security industry and to improve standards in the security industry.
- 3 Its statutory functions under PSIA 2001 include the following:
  - (a) "to carry out the functions relating to licensing and approvals" set out in the Act;
  - (b) "to keep under review generally the provision of security industry services";
  - (c) "for the purpose of protecting the public, to monitor the activities and effectiveness" of the security industry;
  - (d) "to ensure the carrying out of such inspections as it considers necessary of the activities and businesses of people" carrying out licensable functions, and those who employ them;
  - (e) "to set or approve standards of conduct, training and levels of supervision" for adoption by the security industry;
  - (f) "to make recommendations and proposals for the maintenance and improvement of standards" in the provision of security industry services;
  - (g) "to keep under review the operation" of the Act.
- 4 The SIA has approximately 113 permanent staff. About half of these are based at the Authority's office in London, and are responsible for: managing the licensing and Approved Contractor Scheme process, including all decision-making on licensing and approvals; processing and analysing intelligence; strategy, and corporate functions.
- 5 The SIA has approximately 60 of its staff deployed on compliance and enforcement work, about 42 of whom are based in regional teams who are located in clusters in parts of Great Britain. The Authority's income in 2007/08 (derived from fees associated with licensing, and the approved contractor scheme, as well as separate income streams for Scotland and Northern Ireland) was £21.6 million.
- 6 The Authority is a statutory Non-Departmental Public Body sponsored by the Home Office. It has limited capacity for direct enforcement and compliance (reflecting the fact that any such operations must be funded ultimately by fees from the industry), and works to deliver its objectives with a large number of partner organisations. It is accountable to

<sup>2</sup> Hampton Implementation Reviews: Guidance for Review Teams, National Audit Office and Better Regulation Executive, May 2007.

<sup>3</sup> The Government's Proposals for Regulation of the Private Security Industry in England and Wales, Home Office 1999.

Parliament through Home Office Ministers. The Authority's interim Chief Executive at the time of the Review was Bernard Herdan; the Chair of its Board is Baroness Ruth Henig. The Authority's organisational structure was due to be revised shortly after the review.

- 7 The Authority has a responsibility not just to provide a basic level of regulatory assurance against given risks, but also to improve standards in the security industry. This reflects a number of its statutory functions, but this is uncharacteristic for a national regulator of the private sector.
- 8 The SIA also acts to an unusually large extent through delivery partners:
  - it contracts out its licensing and related functions, including its Contact Centre, to Liverpool Direct Limited (LDL);
  - independent Assessing Bodies are used to verify conformance with many of the requirements of the Approved Contractor Scheme;
  - exam processes are regulated by the Qualifications Regulators in each of the nations where the licence-linked qualifications are offered;
  - the SIA has limited "in house" compliance and enforcement staff and relies to a large extent on its partnerships with the police, and to a lesser extent local authorities in performing inspections and other compliance and enforcement action.

## The Security Industry

- 9 The private security industry has grown significantly over the last few decades. The growth of the sector reflects a number of different trends: with increasing use of outside companies for specialist tasks such as the movement of cash rather than carrying out such functions themselves. There have been major developments in terms of using private companies for prisoner escorts and running prisons (though this is not specifically subject to SIA regulation). The increasing private use of CCTV and wheel clamping have also been issues.
- 10 The security industry provides services which include security guarding, door supervision and wheel clamping, employing some 500,000 individuals across the United Kingdom. Approximately half of this total are employed on a contract basis, rather than directly employed, and many of these (the SIA estimates 200,000) are subject to regulation, as are in-house operatives in the door supervision and vehicle immobilisation sectors.
- 11 The industry is, in many respects, fragmented. Estimates vary, but one survey<sup>4</sup> said that the top 20 guarding companies account for more than 87% of turnover in the security guarding sector. The remainder includes a large number of smaller firms.

<sup>4</sup> Infologue.com, 2008.

**Figure 1: Breakdown of security operatives with valid licences in each category of licence**

Licence Category	Number
Vehicle Immobiliser	1,929
Door supervisor	136,979
Cash and valuables in transit	10,893
Close protection	5,091
Public space surveillance (CCTV)	20,121
Security guard	129,634
Key holding	159

### Compliance with licensing requirements

- 12** The breakdown of security operatives with valid licences in each category of licence (as at 31 March 2009) is shown in **Figure 1** above.
- 13** The SIA's current best estimate is that compliance levels within the sector as a whole are approximately 90 percent. This is high, but it is hard to be certain of this figure as exact numbers for the licensable (as opposed to licensed) population are not

available. We welcome the fact that the SIA has commissioned some academic research which will consider, amongst other things, compliance levels. Some independent work on the underlying figures will help address some stakeholders' concerns about a perceived lack of compliance in some areas, and the extent to which the SIA is tackling these sufficiently rigorously: we have some relevant comments under the section "Focus on Outcomes".

## The Hampton vision

**14** Both the Hampton and Macrory reports are concerned with effective regulation – achieving regulatory outcomes in a way that minimises the burdens imposed on business. Key to this is the notion that regulators should be risk-based and proportionate in their decision-making, transparent and accountable for their actions and should recognise their role in encouraging economic progress.

### Risk-based

**15** The Hampton Report found that risk assessment should be comprehensive, informing “all aspects of the regulatory lifecycle from the selection and development of appropriate regulatory and policy instruments through to the regulator’s work including data collection, inspection and prosecution.”<sup>5</sup>

**16** Unlike many of the regulators covered by the Hampton Report, the SIA has a clear framework within which compliant businesses can achieve “earned autonomy”. We found on this point that risk is effectively used in the operational aspects of the Authority’s work: additional data requests and inspections are used only in cases of known or suspected non-compliance, and key risk factors (including for instance risks associated with particular sectors, and intelligence which suggests probable links to organised crime) are taken into account when planning the work of the inspection and compliance teams within the SIA. Unlike some regulators the SIA’s work is not hampered by legislation specifying inspection cycles, but this approach is thoroughly in line with the Hampton principles.

**17** The SIA has a Strategic Assessment which lists the risks confronting the regulator,

taking into account their likely impact on regulatory outcomes. We were not clear that decisions about the deployment of the SIA’s resources as a whole (including communications and other resources, as opposed to specific operations) were being planned according to the relative priority of these. The SIA’s compliance and enforcement operations are intelligence-led: but we found that intelligence was not put to such good use at a higher level of decision-making, where the links between intelligence, risk and strategic planning were less in evidence.

**18** The SIA sits at the centre of an unusually complex regulatory regime. Much of its work is conducted at arm’s length, and it is dependent on work with partners who have comparable, but not identical, objectives. In these circumstances, the SIA needs to do two things: provide support where partners are better placed to act, and focus its attention on gaps in the system which would otherwise be neglected.

**19** We discussed the SIA’s enforcement strategy with many of the SIA’s partners, and discussed its relationship to the underlying risks with them.

**20** Intelligence is a key part of determining levels of risk. The SIA has a number of key partnerships: representatives of the police felt that intelligence-sharing took place effectively and at an appropriate level. Representatives of local authorities felt that intelligence-sharing was not working as well from their perspective.

**21** Unprompted, a large number of the businesses that we spoke to raised the issue of training fraud as a serious risk to the system. Responsibility for enforcement in England rests with Ofqual; but there was

<sup>5</sup> *Reducing Administrative Burdens: effective inspection and enforcement*, HM Treasury 2005, p. 28

a strong feeling that SIA could be setting more of a lead given the implications for the integrity of their own licensing regime. The SIA have worked closely with the qualifications regulators, and argue that these perceptions are likely to be unrealistic. We are not in a position to comment on the real scale of the problem, but there is a challenge here for the SIA and the qualifications regulators in creating confidence in the system.

- 22** We also considered the balance of the SIA's enforcement work across the security industry. We felt that there could be more clarity about the way in which the SIA's work as a whole is prioritised according to the risks facing the licensing system. The SIA gives extensive publicity to its work in city centres with door supervisors. This is routinely described in SIA press releases: partly as a means of raising the profile of this work with local partners, and partly to incentivise others to comply. There are dangers with this strategy however, which can create an impression that this forms the primary focus of the SIA's activity. This was illustrated to an extent by many of the businesses that we interviewed who, again unprompted, raised the issue and argued that some of the work involved was a waste of enforcement resource. In fact, the spread of the SIA's compliance and enforcement work reflects the underlying scale of the different sectors quite closely. Companies supplying security guards form the largest part of the industry, and the scale of investigation and enforcement action by the SIA is proportionate to this. To ensure full confidence amongst its partners, the SIA needs to communicate its basic enforcement strategy more clearly.

We found:

- **Risk is well integrated into the enforcement work of the organisation, with inspection and enforcement**

### **resource focused on intelligence-led operations dealing with non-compliant business**

- **At the strategic level, the link between intelligence and resource allocation is less clear**
- **The SIA needs to make its enforcement strategy clearer to stakeholders**

### **Transparency and Accountability**

- 23** The SIA routinely publishes all key documentation about its regulatory work on its website. There are challenges for it in presenting information in a way that makes sense to all of its regulated community – which includes a very large number of individual licensees working in very different roles, as well as the businesses that employ them. The appropriate channels for communication with them are different, and we have some relevant comments on the SIA website under the section “Advice and Guidance”.
- 24** There have been difficulties in engaging with parts of the industry in the SIA's first years of operation. Some stakeholders felt that interactions had been dominated by the larger security companies at the expense of harder-to-reach groups: notably individual door supervisors and close protection staff. They have little formal representation through trade associations.
- 25** Many of the stakeholders we spoke to said that communications had been problematic in the early stages of the SIA's work, but that these were improving. The SIA is working to explore means of a fuller engagement, and is establishing a number of sectoral network groups to make up for the lack of pre-existing organisations in some sectors. The Review Team attended the inaugural session of a network for

close protection licensees. The event was built around seeking feedback from the sector itself: the questions put to them about how the regulatory system is operating in practice were open and meaningful. We would welcome further work on this basis.

- 26** One of the most prominent points put to us by stakeholders during the Review was that they were dissatisfied with the feedback they receive on information that they submit about suspected cases of non-compliance. This appears to have a significant impact on the regulator's perceived transparency. The SIA's compliance work depends to a large extent on information on cases of non-compliance supplied by the industry itself as well as its partners. Intelligence is passed on in a number of ways: through electronic communication direct with the Authority, through other associated services, like Crimestoppers, and face-to-face exchanges on compliance visits. Some of the stakeholders we spoke to expressed their reluctance to give further information given the lack of feedback on previous information submitted.
- 27** There are limits on what the SIA can do here: much information is submitted anonymously; much of the work with specific businesses to bring them into compliance is by necessity confidential, and the SIA is not resourced to follow up every lead. The SIA has done some work to help illustrate the uses to which intelligence is

put: for instance, case studies of enforcement action have been published on its website. However, this remains a significant issue for the SIA's stakeholders, and we believe that the SIA should consider how it might address why customers are dissatisfied with the current approach. We recognise that the barriers to disclosure are significant, but would encourage the SIA to explore what more might be done to make the exchange more satisfactory for them. We found that the SIA has some positive stories to tell, and that more could be done to communicate these successes. Here as elsewhere, a review of its strategy for reaching its target audience (including individual licensees with limited direct contact with the SIA) might be useful, exploring the potential of the media beyond its website and the trade press.

We found that:

- **There has been difficulty in engaging with the sector in a meaningful way, but industry believes the position is improving**
- **There has been some good work to establish free-standing networks in under-represented areas, and we would welcome further work on this basis**
- **The lack of feedback on the uses to which intelligence is put is a major issue for stakeholders and continues to affect their views of the regulator's transparency**

### **Good Practice: Stakeholder networks**

One of the key pillars of the SIA's approach to communications is the creation of stakeholder networks. These networks were set up by the SIA to support constructive dialogue with the diverse elements within the private security industry and to facilitate collaboration and the development of proportionate regulation. The networks were intended to be self-perpetuating and meet around 2 -3 times per year all over the UK. Five are now well established: door supervision, vehicle immobilisation, CCTV, small businesses (from all sectors), and, most recently, close protection.

<sup>7</sup> Regulators' Compliance Code: Statutory Code of Practice for Regulators, BERR, 2007, p11

## Economic Progress

- 28** The SIA’s regulatory regime impacts directly on the security industry itself, but also indirectly on the wider market for security services. Buyers of security (which include, for instance, pubs and retail chains) have also been affected by the introduction of security industry licensing.
- 29** Standards of impact assessment are sound in terms of the direct impact of new regulations on the sector, but the regulations have far-reaching effects in terms of the operation of wider security markets. For instance, the standards set by the SIA for licence competences, inevitably impact on the supply of qualified staff. While representatives of some sectors made it clear to us that they would like to see higher qualifications imposed for door supervisors (notably retail buyers), there is a danger that this could work against the interests of other sectors where a large number of relatively unskilled staff are needed. The demand for higher standards from within the industry – above and beyond ensuring that basic risks are avoided through, for instance, criminality checks – is not universal.
- 30** The Home Office is ultimately responsible for impact assessment in relation to much SIA policy, but it depends on SIA advice in developing its assessment. We were not convinced that the wider economic picture is taken fully into account for these purposes, and felt that work in this area could be improved. A more thorough approach would help address some of the debates within the sector about which standards are appropriate for the different licensed sectors.
- 31** SIA was founded to fill a gap left by what was commonly seen as a failure of self-regulation in the sector. The need for regulation is partly a matter of ensuring that basic risks are avoided, but the SIA’s additional role in promoting general standards in the industry (which is unusual for a private sector-facing regulator) has complicated the relationships involved. Stakeholders thought that this was an appropriate role for the regulator, but we felt that some of the expectations placed upon the SIA to improve quality beyond a certain basic standard were not realistic, and that the industry itself could be encouraged to take a more active role in partnership with the SIA. We have further comments on this point under the section “Design of Regulations”.

We found that:

- **Impact Assessment is routinely carried out and reflects the impact of regulations on the regulated sector well, but it needs to reflect the likely impact of the regulations on the wider economy better**
- **The SIA’s role in improving standards means that the relationship with the industry is more complicated than in other areas of regulation; it needs to set a lead in clarifying the regulated sector’s, and its own, roles**

## Design of regulations

### Hampton principles

*“All regulations should be written so that they are easily understood, easily implemented, and easily enforced, and all parties should be consulted when they are being drafted”*

*“When new policies are being developed, explicit consideration should be given to how they can be enforced using existing systems and data to minimise the administrative burden imposed”*

## Key findings

- **The Approved Contractor Scheme has helped raise service standards, while keeping the associated burdens to a minimum. The scheme has a range of benefits for businesses**
- **More could be done to clarify the responsibilities of the industry itself in the SIA’s work to improve standards**
- **Stakeholders expressed a consistent view that the licensing regime has reduced criminality in the sector**
- **There is however scepticism regarding the value of the training aspects of the licensing regime**

## Background

- 32** The SIA’s work is subject to its founding legislation, the PSIA 2001. The Act provides the basis for the Authority’s two main approaches to regulation – mandatory licensing of many security staff (largely those working for security companies, but including in-house staff in some sectors), and work to improve standards in the security industry, which is largely delivered through the ACS.
- 33** The SIA has significant flexibility to design regulations within the constraints set by the Act: it sets licensing criteria for many of those working in the security industry, and has developed the voluntary ACS, which is designed to promote higher standards amongst security companies.

### Licensing

- 34** The SIA’s publication “Get Licensed” is subject to approval by the Secretary of State, but has been developed directly by the SIA in line with its responsibilities under Section 7 of the PSIA. The licensing criteria include “fit and proper” person criteria (which include, for instance, any exclusions on grounds of criminality), and training and skills criteria. Through the licensing criteria, the SIA sets out competence requirements that are attached to specific categories of licence: specific curricula and training courses are developed and delivered by the Authority’s competency partners. The licences, and some of the training criteria, vary according to the category of licensable activity: for instance, close protection

licence-holders are subject to more stringent training requirements than door supervisors.

**35** The basic licensing regime is founded on the need for persons performing security functions to be licensed on an individual basis. PSIA 2001 does set out offences and penalties for those businesses that deploy an unlicensed individual illegally, but the basic structure of the scheme is structured around the licensable individual rather than businesses themselves. The SIA has no legislative basis for licensing security businesses directly.

**36** The majority of the stakeholders that we consulted expressed a view that direct licensing of companies could give more leverage over the sector. The absence of licensing at company level has prevented the SIA dealing with some issues which give rise to significant public concern (notably the use of heavy-handed enforcement measures by some vehicle immobilising firms) but which, currently, lie beyond the SIA's scope. The Home Office and the SIA are considering proposals for a compulsory registration scheme which would help address some of the associated problems (one option discussed with us during the Review was to use the same legislative provisions that underpin the ACS). The SIA also believes that such a scheme would help improve its knowledge of businesses working in the industry so as to reduce opportunities to operate outside the regulatory regime, promote and ensure compliance more effectively, and improve its own forecasting.

### Approved Contractor Scheme

**37** The SIA's work in relation to standards in the industry follow from PSIA 2001, which specifies that its functions include:

- “to keep under review generally the provision of security industry services and

other services involving the activities of security operatives” (s.1(2)(b));

- “for the purposes of protecting the public, to monitor the activities and effectiveness of persons carrying on businesses providing [security industry services] (s.1(2)(c)); and
- “to make recommendations and proposals for the maintenance and improvement of standards in the provision of security industry services and other services involving the activities of security operatives” (s.1(2)(f)).

**38** Sections 14 to 18 of the Act set out the Authority's specific obligations in relation to the ACS.

**39** The ACS is at the centre of the SIA's work to promote higher standards in the security industry. It is, effectively, an accreditation scheme which is designed to raise standards in the industry and to provide potential buyers of security services an assurance that certain standards have been met. Participation in the scheme means a number of benefits for successful applicants, who:

- are authorised to deploy a small proportion of staff whose licence applications are pending (which would otherwise be illegal);
- are included in a Register of Approved Contractors on the SIA website;
- are authorised to use the ACS Accreditation mark and display certificates.

**40** Accreditation decisions are made by the SIA, but detailed assessment is conducted at arm's length by the SIA via “assessing bodies”. Applicants with an existing accreditation (involving ISO9001:2000 from

a UKAS-accredited certification body) may be fast tracked. Applicants complete an initial self-assessment and submit an Achievement Record to the SIA for approval. Following initial checks by the SIA they must then choose an Assessing Body from the SIA approved list and arrange for a visit to verify the self-assessment. At the time of the Review, 573 companies had been approved.

been a significant incentive, especially given some of the delays that have affected the licensing system. Other advantages are important however: membership gives access to networks where ideas for improvement can be exchanged, and has the potential to bring benefits in reduced insurance premiums. Buyers of security are also, increasingly, specifying that ACS accreditation will be a factor that will be taken into account when tendering for security services.

## Review Findings

### **The Approved Contractor Scheme has helped raise service standards, while keeping the associated burdens to a minimum**

- 41** Many of the businesses that spoke to us felt that the SIA could do more to promote higher standards in the industry. Some options put to us were that access to the ACS could be set at a higher level, a graduated approach could be adopted (with access to higher levels of accreditation for companies with higher standards), or that the numerical scores that are part of the assessment process could be used more openly as a means of differentiation.
- 42** This raised two questions for the Review Team: whether the intrinsic standards of the ACS were fit for purpose, and the extent to which it is right for a Government body to act as an assessor not of basic standards, but of a specific company's overall quality. This is an unusual role for a regulator, but we felt that the Hampton principles are relevant here.
- 43** The ACS is voluntary, but there are significant pressures on firms (in some sectors) to apply for accreditation. The scheme gives firms flexibility in deploying a certain number of staff who have applied for, but not yet received, licences, on an "earned autonomy" basis. Some of the businesses we spoke to said that this had
- 44** The ACS is designed to consider a company's performance against a wide range of criteria, reflecting good business practice in general, rather than the sort of risks that regulators generally focus on. A certain level of burden is inevitable in this process: we were interested in whether the level of scrutiny was appropriate, and whether the approach was appropriate for a scheme that applies both to very large firms and some of their smaller competitors. The ACS could inadvertently become a hurdle to market entry if security companies were required to establish procedures for an audit trail that did not reflect "business as usual" for a competent, but less well resourced, company.
- 45** The standards required for accreditation are technical, and there are a number of alternative standards available. We are not in a position to comment on the specific merits of these, but our impression was that the existing ACS is a good foundation for an approach that is balanced between promoting higher standards while minimising the administrative burdens that might arise for the businesses involved. Our findings under "Data Requests", below, are relevant here.
- 46** Some of the businesses involved raised some of the indirect benefits that the scheme had brought: the SIA runs an ACS

network for approved companies, and this has proved to be a good and unexpectedly open, given the competitive character of the industry, forum for sharing best practice.

### **More could be done to clarify the responsibilities of the industry itself in the SIA's work to improve standards**

- 47** A number of businesses and their representatives felt that the ACS was insufficiently challenging, and that standards needed to be higher. There were significant differences of opinion on this point, reflecting the different interests between sectors and sizes of business.
- 48** This issue is currently under review. There are a number of options open to the SIA. We felt that some of these could put the SIA, as a government body, in a difficult position as it is unusual for a non-public service regulator to rank service providers on the basis of the quality of their work. From a Hampton point of view, there are risks that higher standards might impose additional burdens. We believe that an alternative approach might be to work with the industry to promote independent higher standards if this suits their needs. Many of the stakeholders we spoke to emphasised that the SIA's work had been important given the perceived failings of self-regulation by the industry before legislation. As the regime has become better established, however, the position within the industry has changed, and there is scope for work with the industry to take a shared approach to the system. This would reflect the position in most other sectors where there is no comparable state-run scheme.
- 49** One of the options for differentiation put to us was that the score that companies receive against the ACS criteria as part of the process might be used more openly.

The score was incorporated into the process primarily as a device to incentivise companies to further self-improvement against the scale. It was clear from conversations with some of the companies involved that this element of the scheme had been particularly effective. If more is made of the score as an ACS "grade" for external use, the moderation process will need to be reviewed to ensure that the scores which are awarded by different assessing bodies are sufficiently consistent and robust for this purpose.

- 50** The buyers of security (and others who have a direct effect on the security market, like companies that sell insurance to buyers) also have a role to play. Some of the security firms we spoke to felt that they have been undercut in some cases by non-compliant firms. The SIA has worked with buyers of security to raise levels of awareness, but the perception within the industry is that awareness remains relatively low. The SIA is exploring how this issue might be tackled, and has for instance provided ACS-registered companies with material to help make their case to potential customers.

### **Stakeholders expressed a consistent view that the licensing regime has reduced criminality in the sector**

- 51** The possession of a licence shows that the holder has no serious criminal convictions, has a right to work in the UK, and has a basic qualification appropriate to the licensable role involved. A large number of licences have been revoked when it became clear that the holders did not, in fact, have a right to work in the UK. The SIA's role in these incidents was inaccurately reported in the media.
- 52** More relevant to the SIA's particular objectives, licences also involve checks:

- against criminal records, to ensure that those with significant convictions are excluded from the industry, and
- to ensure that a basic qualification has been achieved. (The relevant standards vary by sector).

**53** Stakeholders were consistent in their view that licensing had significantly reduced criminality in the sector. There were complaints about non-compliance in various areas, but our impression was that the SIA's work had had some significant successes here, notably including work with the police to deal with infiltration of the industry by organised crime.

### **There is however scepticism about the value of the training aspects of the licensing regime**

**54** Views were considerably less favourable about the training requirements of licensing. A certain level of training is essential in ensuring that workers in the industry are aware of the basic legal issues involved, and the possession of a licence needs to reflect this. The training does not however imply a level of competence within the job: this can only be provided by further development including on-the-job experience. The SIA's licence in fact demonstrates knowledge, rather than competency: this is not clearly understood by buyers of security, and this has had an impact on some of the security markets involved.

**55** The SIA is developing a more modular approach to the training attached to the licensing system which would make a clearer distinction between basic knowledge and more developed competences. This is welcome (and will reduce overlaps where individuals hold a number of different licences) but it needs to be underpinned by work with the industry and buyers to formalise the difference between the basic licensing standard and the additional demands of other, external, standards. We found that there is still no clear consensus as to the way in which responsibilities should be shared between the industry, the SIA and others such as Skills for Security.

## Advice and guidance

### Hampton principle

*“Regulators should provide authoritative, accessible advice easily and cheaply.”*

## Key findings

- **The SIA uses plain English in its guidance publications**
- **More customer-testing is needed for the range of channels of guidance available to the SIA, including the website**

## Background

- 56** The security industry is diverse, and many parts of the industry are hard to reach. Companies in certain sectors have little interaction with each other, or with trade associations. While some representative bodies exist, other specific areas of industry organisation have limited formal representation. The SIA faces a further challenge in that its regulatory regime is based on the licensing of individuals, rather than security companies themselves, and many of its communications need to be clear and accessible to individuals performing a wide range of roles, as well as businesses as such.
- 57** The SIA has a range of advisory channels at its disposal. “Get Licensed” is the most important of these, and effectively has a legislative status. It is the focus of the SIA’s work on setting licensing criteria. Further guidance is available on specific aspects of licensing and the Approved Contractor Scheme. More tailored advice on the licensing process is available on an inquiries line via LDL, the SIA’s licensing partner. Face-to-face advice is also given during compliance work and on-site visits.
- 58** While the essential features of the licensing system are simple, there are areas where companies face difficulties in interpretation. One of the issues raised with us was the Public Space Surveillance (CCTV) licence; some companies find it difficult to understand the distinction between this and other licences. There was also some confusion amongst some of the industry stakeholders we interviewed as to the extent of the SIA’s powers of inspection and investigation.

## Review Findings

### **The SIA uses plain English in its guidance publications**

- 59** The SIA’s publications have a clear and consistent style. “Get Licensed” gives a clear account of the licensing process for applicants, as well as an explanation of some of the more difficult areas of interpretation which are designed primarily for business.
- 60** We also found that the investigators that we observed in action provided a clear

face-to-face account of their powers to individuals during compliance checks, helping to defuse some challenging encounters with licensees under difficult conditions.

**More customer-testing is needed for the range of channels of guidance available to the SIA, including the website**

- 61** We found however that more could be done to find effective channels of communication which will target the needs and behaviour of specific categories of stakeholder better. There are two issues here: the need to work with a more segmented communications strategy which reflects the complexity of the audiences involved, and thorough customer-testing to ensure that their needs are being fully met.
- 62** The SIA is undertaking research into customers' views. Shortly after the Review, it was also subject to an organisational change that brings its communications and marketing division closer to its strategic centre. This is welcome, and we would encourage the SIA to review its stakeholder plan in line with its emerging findings and strategic thinking.
- 63** The SIA's website is largely structured around the needs of the individual applying for a licence, or of firms seeking access to the ACS. There is also a part of the site designed for buyers of security. While it is suitable for these purposes, we found that it is harder however to find specific documents, or (for instance) guidance material on some of the more technically difficult issues. The SIA is working on a review of the website; we recommend that it should be subject to thorough user-testing bearing in mind the likely interests of the different stakeholder groups involved, and the SIA is taking this forward. There is a need for other work however.
- 64** The website is well-suited as a medium of communications for most businesses, but is not necessarily the best place for much of this material which is directed at individuals. Hard copies of key publications like "Get Licensed" (which might be better suited to their needs) are available, but are not routinely issued to prospective licensees. The buyers of security are another key audience that need to be targeted.
- 65** We believe that some more targeted communications, directed at parts of the licensable population where the risks of non-compliance are higher may also be advantageous. The SIA has produced material for specific parts of the sector, like retail: alternatives that might be usefully explored include community radio stations and the specialist press.

## Data requests

### Hampton principle

*“Businesses should not have to give unnecessary information or give the same piece of information twice.”*

## Key findings

- The SIA makes few direct data requests as part of its licensing regime and has explored means of reducing the associated burden
- Some of the processes for licence applications remain cumbersome, but service levels are improving
- More could be done to make the submission of licensing applications easier
- The data and paperwork requirements of the Approved Contractor Scheme are comparatively modest, and are scaled down when dealing with smaller firms

## Background

- 66 The SIA imposes data requests on business and individuals through two main routes: as part of the licensing application process; and indirectly, through assessing bodies which administer the ACS.
- 67 There are no wider regulatory returns beyond these requirements.

have helped meet the SIA’s responsibilities as part of the Government’s wider commitment to reduce the total administrative burdens on business.

### Some of the processes involved in licence applications remain cumbersome, but service levels are improving

## Review Findings

### The SIA makes few direct data requests as part of its licensing regime and has explored means of reducing the associated burden

- 68 The licence application form itself is simple, and has been improved since it was introduced. The SIA has explored mechanisms for reducing the associated data burdens through, for instance, catering for bulk applications by businesses on behalf of their employees, and by providing information about pending licence applications for the relevant businesses. Modifications to the design of the form

- 69 Most of the difficulties raised with us by stakeholders related to the licensing process, rather than data requests as such. The SIA is aware of the issues involved, and is taking action to improve processes.

- 70 A large number of applications are rejected on technical grounds, because they have been filled in incorrectly. The proposed implementation of an online application form will help with this issue (by requiring that certain fields should be completed before the form is completed), and the SIA’s service delivery partner, LDL, has developed an approach whereby staff call applicants back in cases of straight-forward

queries and problems and seek to resolve the issue over the phone rather than rejecting the form. This and similar measures will help reduce the burdens that the need to submit a new form would involve.

- 71** Original identity documentation is required for most applications, but the SIA is working on approaches to simplify the process, and has for instance waived this requirement where the relevant document is a UK biometric passport. The SIA has also been building on an approach whereby, in cases where their intelligence suggests that a particular application may be fraudulent (for instance, applications from certain postcodes are known to be higher risk), the application is given special attention earlier in the process. We would encourage the SIA to further explore this and other means of rationalising the system further.

### **More could be done to make the submission of licensing applications easier, and the process faster**

- 72** The possibilities of online application remain relatively undeveloped however. An electronic application form – which can be downloaded and completed electronically, then submitted in hard copy – is being piloted. The Review Team welcomes this development, but the timetable for rollout was not clear at the time of the Review. We believe that the SIA should work quickly with businesses to make them aware of this facility: it is likely that, in the light of experience with other regulators, continued user-testing will be essential. We would encourage the SIA to explore other means of facilitating online applications: easy electronic read-across to the guidance explaining how to complete the application form might be one possibility.

### **Good Practice: Outbound Calling**

Attempting to process incomplete or erroneous licence applications wastes a lot of time for applicants and the SIA. To reduce the need to reject or return applications that contain errors or that are incomplete, the SIA contacts applicants by telephone to try to correct omissions and / or mistakes directly. This practice of seeking clarification from applicants is called ‘outbound calling’ and it has been successful in saving licence holders and the SIA significant cost and time.

The outbound calling process works quite simply: following receipt of an application, the initial validation procedure automatically identifies those applications that might be successfully processed via an outbound call. These applications are then diverted into the outbound call queue where they are dealt with by a dedicated Outbound Call team who are trained in how to complete the validation tasks. This means that such applications are not allocated to Licence Processing staff to complete the validation, saving them time to devote to complete applications. At least two attempts are made by the Outbound Call team to contact an applicant and these attempts are spread out over consecutive days, in the morning and in the afternoon, to improve the chances of success. Approximately 10% of all applications received by the SIA result in an outbound call (there are up to 1500 such calls made a week). Between 15-30% of these calls result in the correction of errors or omissions and the successful processing of the application.

**The data and paperwork requirements of the Approved Contractor Scheme are comparatively modest, and are scaled down when dealing with smaller firms**

- 73** Businesses which apply for the ACS submit a self-assessment about their achievements against criteria set out in an SIA workbook. These criteria are intended to establish how a business is doing against a very wide range of considerations – including, for instance, financial management standards, and corporate social responsibility. An assessing body then visits the business, and seeks to confirm with them whether the self-assessment is accurate, or needs to be re-evaluated.
- 74** The ACS scheme is voluntary, but there are significant pressures in many sectors for businesses to apply for it. Many local authority buyers of security, for instance, set out a requirement for ACS approval when tendering for security services. The need to assess businesses against such a wide range of criteria has the potential to impose significant data-collection burdens.
- 75** The SIA is in a special position here: unlike other regulators, it is responsible for carrying out a thorough assessment of quality, rather than working to establish that basic risks are being avoided. Some associated data burdens are inevitable as part of this fuller process.
- 76** The SIA's approach to the scheme has sought to ensure that the associated data burdens are minimised. The aim is that scrutiny of business processes should be rigorous, but the SIA is aware of the need to ensure that the scheme should not place a barrier on market entry to smaller firms. As such, assessment focuses on establishing whether business outputs are right, rather than specifying business processes themselves. Accordingly, assessment does not focus on the existence of written policies and paperwork in a way that some assessment schemes can entail, and which can discriminate against smaller businesses where a lighter touch process is appropriate. A number of stakeholders put it to us that assessment against some criteria ought to take account of whether the firm has already been independently accredited against other quality standards (notably ISO 9001). The SIA accept this, and we agree that this is desirable in principle, but this should not be allowed to affect the balance that the SIA is trying to strike between achieving rigour and reducing data burdens, particularly on smaller businesses.

## Inspections

### Hampton principle

*“No inspection should take place without a reason.”*

## Key findings

- **The SIA’s compliance and enforcement strategy does not depend on routine inspections of businesses: it takes their compliance record into account when planning its work**
- **Meaningful compliance inspections of some venues where security staff are deployed can be difficult to carry out**
- **Partnership working is critical to the success of many SIA inspections: more could be done with local authorities to maximise their impact**

## Background

- 77** Inspection can be an important resource available to regulators in checking for compliance, and in providing direct support to businesses in their efforts to become compliant with the law. Inspections relating to licences are one element of the SIA’s work here. The SIA has relatively little enforcement and compliance resource: 60 staff, mostly organised into regional teams, handle compliance and enforcement work with specific businesses. They are flexibly deployed across regions when needed. In practice, the number of inspectors is limited by the requirement that the SIA should fund its relevant activities through the licence fee. A significant increase in the SIA’s own allocation of staff would bring with it a substantial increase in licence fees. The reach of SIA compliance and enforcement staff is substantially increased however by the SIA’s partners: both the police and local authorities take part in joint inspections with the SIA, especially in respect of one of the larger regulated sectors, door supervisors, and also other sectors where there are suspected links to organised crime.
- 78** The accreditation process involved in the ACS is also relevant under this heading –

visits by assessing bodies are sometimes supplemented by visits from the SIA ACS team itself. The relevant issues are dealt with under the section “Data Requests”, above.

- 79** During 2008/09, there were 607 approved contractor assessment visits to contractors of which 208 were first assessments for new applicants. During these visits, 83 contractors had improvement needs identified as a result of the assessment. There were 443 reports of malpractice against approved contractors, which were risk assessed and appropriate action taken; action includes further investigation or assessment. As a result of the improvement needs identified or the investigations, 6 contractors had their approval withdrawn and 23 had their privilege to deploy operatives under licence dispensation restricted or withdrawn.
- 80** In 2008/09 a number of companies were identified through the SIA’s intelligence risk scoring process as being at a high risk of non-compliance and subject to action by the SIA Compliance & Investigation team (See figure 2 opposite).

**Figure 2: Number of companies identified as being at a high risk of non-compliance and subject to action by the SIA Compliance & Investigation team in 2008/09**

Company	Number
Public Space Surveillance (CCTV)	5
Close Protection	3
Cash & Valuables in Transit	1
Door Supervision	70
Key Holding	3
Security Guarding	184
Vehicle Immobilisers	40
<b>Total</b>	<b>306</b>

## Review Findings

### **The SIA's compliance and enforcement strategy does not depend on routine inspections of businesses: it takes their compliance record into account when planning its work**

- 81** Unlike many regulators, the SIA does not conduct routine compliance inspections. In practice, investigators have a number of options available to them. Where non-compliance by a particular business is suspected, on the basis of intelligence or other leads, officers meet with the company to examine documents relating to the employment of staff who should be licensed, and discuss the issues with them. Where necessary, this is followed by ongoing engagement with them. This can be supplemented by unannounced spot checks for compliance at sites where their employees are deployed.
- 82** The SIA has a good record in using intelligence to focus inspection resource on businesses with known compliance issues. A risk rating system is used to allocate the priority of work with particular businesses: this takes issues like sector, size, and compliance history into account. Known

intelligence, deriving from all sources, about particular firms is used. Random visits are sometimes used to test the system. Some of the disadvantages of many other regulators' risk assessment systems (which commonly tend to give a disproportionate weighting to the size of the business as the critical factor in deciding on risk levels) are avoided by this method.

- 83** A network of regional compliance and investigation staff handle most of the SIA's compliance work, and are responsible for handling ongoing relationships with specific non-compliant businesses.

### **Meaningful compliance inspections of some venues where security staff are deployed can be difficult to carry out**

- 84** Unannounced spot checks for compliance are sometimes used by the SIA: the SIA is at a disadvantage compared to other regulators here, who in general tend to regulate premises and business practices, rather than the physical presence of individuals.

- 85** The SIA's powers to enter premises where security professionals are deployed, rather than the headquarters of their employers, are limited, and the evidence of non-compliance – in practice this means the presence of an unlicensed individual performing a specific security task – is hard to assess if the element of surprise is lost and evasive action is taken.
- 86** Where a sequence of inspections of door supervisors is being conducted in a particular area, word can spread about the SIA's presence very quickly. There is also an element of physical danger on occasion: spot checks of door supervisors (by the vary nature of their work) inevitably take place under conditions where public safety and street disorder are an issue, limiting inspectors' ability to make a proper assessment. Spot checks of this sort have, on their own, limited value as a guide to compliance levels.
- 87** The SIA uses targeted city centre inspections of this sort for a number of reasons other than to test compliance: for instance, to gather evidence of deployment against a known supplier, and with a view to nurturing sustainable engagement by its local police and local authority partners. It deliberately publicises the results through press notices and its website; this can however create a distorted view of the SIA's approach. The Review Team believes that the SIA needs to explain its thinking externally to secure complete buy-in to its approach.

**Partnership working is critical to the success of many SIA inspections: more could be done with local authorities to maximise their impact**

- 88** Both the police and local authorities have an interest in the enforcement potential of PSIA 2001: under the Act, individuals may be designated to use the powers of entry and inspection set out in it. The scale of interest in the Act is clear from the numbers involved: 450 individuals have delegated authority in the police; 745 individuals have delegated authority in local authorities. These high figures are also testimony to work the SIA has done with its partners to date.
- 89** There are circumstances where it is wholly appropriate for the SIA to conduct inspections alone, but inspections in partnership help supplement the SIA's powers in practice.
- 90** SIA regional teams do take part in briefing these partners on the provisions of the Act, with a view to achieving a multiplier effect: more could be made of this approach as part of a wider engagement strategy. The SIA has started working with LACORS on a strategy for local authorities; we have some relevant comments about how the SIA might maximise its impact in the context of local politics under the section "Focus on Outcomes".

## Sanctions

### Hampton & Macrory principles

*“The few businesses that persistently break regulations should be identified quickly, and face proportionate and meaningful sanctions.”*

*“Regulators should be transparent in the way in which they apply and determine administrative penalties.”*

*“Regulators should avoid perverse incentives that might influence the choice of sanctioning response.”*

*“Regulators should follow-up enforcement actions where appropriate.”*

## Key findings

- Compared to many other regulators, the SIA has limited enforcement options open to it
- SIA staff are committed to an approach which is founded on working with businesses to bring them into compliance where possible, rather than imposing unnecessary sanctions
- The SIA’s Enforcement Policy Code of Practice should be revised to include more information on the factors it takes into account when making a sanctioning decision
- There needs to be more clarity around the circumstances where the SIA will proceed to formal action in particular, and use other options that are currently available to it

## Background

**91** The SIA has a number of sanctions available to it. While revocations of licences are not “sanctions” in the formal sense, they can be one of the SIA’s most important tools in addressing non-compliance. This has happened (as at 31 March 2009) in 11,758 cases: the majority of these arose where it became clear that the licence-holder did not have a right to work in the UK.

**92** PSIA 2001 contains a number of criminal offences that the SIA may pursue. The SIA has limited enforcement resources, and during 2008/09 secured convictions against 13 entities (i.e. individuals or businesses). (See Figure 3 overleaf)

**93** The police and local authorities may also take action against individuals on the basis of the PSIA offences. Unsurprisingly, this has taken place on a considerably larger scale: the court statistics for 2004-07, show that proceedings were taken in 250 cases. Of these, 188 resulted in a “guilty” verdict. We understand that the police were responsible for the majority of these prosecutions.

### **Compared to many other regulators, the SIA has limited enforcement options open to it**

**94** The structure of the PSIA 2001 regime means that the SIA has less formal leverage over businesses than many

**Figure 3: SIA-led prosecutions finalised in 2008/09**

Offence	Number of offences	Number of entities prosecuted	Prosecution outcome
Engaging in licensable conduct without a licence	44	9	Convicted
Supplying unlicensed operatives	43	2	Convicted
Occupier of premises permitting unlicensed vehicle immobiliser	0	0	N/A
Contravening licence conditions	0	0	N/A
Obstruction of entry/ failing to provide information	2	2	Convicted
Making false statements	0	0	N/A
Falsely claiming to be an approved contractor	0	0	N/A
<b>Total</b>	<b>89</b>	<b>13<sup>6</sup></b>	

comparable regulators: it is limited to the use of a range of criminal offences, built around cases where individuals are operating without a licence, or where security companies are deploying unlicensed individuals illegally. The SIA has improvised a non-statutory system of written warnings and notices, which mirror the statutory Improvement Notices that are available to other regulators.

- 95** The SIA has established a project to investigate the scope for new civil sanctions (see below). It has a statutory function, under s.2 of PSIA 2001, to keep the Act itself under review. The SIA could make more use of this power to work up proposals to remedy some of these legal difficulties: both in the area of sanctions, and powers of entry.

- 96** The focus of the regulatory regime on the individual licence-holder rather than businesses themselves creates another gap in the regulatory toolkit: some regulators may bring compliance pressure to bear on businesses given the fact that they may only operate with licences issued by the regulator. The SIA has no such direct licensing role in relation to security companies, and it is limited to criminal proceedings under s. 5 of PSIA 2001. The proposals which have been put forward for a compulsory register of some security companies might make up for this deficiency in some respects.

- 97** The SIA's strong view is that some of the civil sanctions available under the Regulatory Enforcement and Sanctions Act 2008 would provide it with additional effectiveness and flexibility.

<sup>6</sup> Since 2006 and up to 31st March 2009, 26 individuals or businesses had been prosecuted in relation to 201 offences. Some of those prosecutions were still before the Courts.

**SIA staff are committed to an approach which is founded on working with businesses to bring them into compliance where possible, rather than imposing unnecessary sanctions**

- 98** We discussed the approach that the SIA takes to non-compliance. It was made clear to us that formal enforcement action would be pursued where necessary, but that its focus would be on the most serious cases, including where there are links with organised crime (where the police will often take the lead in pursuing a case), and in cases of persistent and deliberate non-compliance (where the SIA sees its main role). In the majority of cases, persuasion is favoured over formal action.
- 99** This approach was understood and shared by front-line compliance staff, who, where possible, focus their activities on informal engagement with business to support them in the process of coming into compliance where possible.
- 100** Some stakeholders from businesses with a good compliance record did however say that the tone of some communications by letter from the SIA regarding areas of non-compliance felt heavy-handed from their perspective. We are not in a position to comment on the specific cases, but recommend that the SIA should review its approach here. It should be recognised that the SIA is obliged to make companies aware of their liability if an offence has been committed, however.

**The SIA's Enforcement Policy Code of Practice should be revised to include more information on the factors it takes into account when making a sanctioning decision**

- 101** The enforcement section of the SIA website is clear and informative, discussing the SIA's approach to compliance, and containing press

releases around those actions which have been taken.

- 102** In accordance with section 20 of the PSIA, which stipulates that the SIA shall publish guidance as to the manner in which its staff use their powers of entry, it publishes an enforcement code of practice.
- 103** The Regulators' Compliance Code (to which the SIA is obliged to have regard under the Legislative and Regulatory Reform Act 2006) also requires Regulators to publish an enforcement policy. An Enforcement Policy has a number of benefits. It can bring clarity to businesses on the treatment they can expect from the regulator, as well as setting out a statement of principles which gives a clear lead to enforcement staff on the expectations on them when working with businesses to secure compliance: commonly they will include, for instance, the factors they will take into account when taking a decision to pursue formal enforcement action. It is common practice to give businesses a copy of the enforcement policy when compliance issues have been identified.
- 104** We found that the SIA's current Enforcement Policy Code of Practice could be improved: the clear focus at the moment is on the way in which the SIA will use its powers of entry and inspection, in line with the statutory requirement set out in PSIA 2001. The Macrory Report – Regulatory Justice: Making Sanctions Effective – gave a number of suggestions as to further information that an enforcement policy ought to contain. Some of these were specific to the Macrory sanctions (for instance, it should specify the circumstances in which a Variable Monetary Penalties ought to be used), but it added the following general criteria:

“Each policy should:

- have regard to the Principles of Good Regulation, the Enforcement Concordat, the Compliance Code (when established) and the Macrory Penalties Principles;
- set out what a regulator may do to bring businesses into compliance without the need for taking punitive action;
- explain the range of enforcement options available to the regulator;
- explain the criteria upon which decisions are made when choosing what specific enforcement action to take in each case of non-compliance, including any aggravating or mitigating factors the regulator might take into account before applying a particular sanction.”<sup>7</sup>

**105** Elements of this list are made available on the SIA website, but need to be brought into a single document. We believe that the current document ought to be revised, taking these criteria into account. A good model that the SIA might consider is the enforcement policy published by the Health and Safety Executive, which, in addition to these considerations, also encompasses action by its enforcement partners.<sup>8</sup>

**There needs to be more clarity around the circumstances where the SIA will proceed to formal action in particular, and use other options that are currently available to it**

**106** While the SIA’s fundamental reliance on persuasion over formal sanctions was clear to us, the SIA was less clear on

those occasions where formal action would be taken - and the issues they were likely to take into account where taking a decision.

**107** The circumstances where other options that fall short of prosecution but might lead up to it, including written warnings and other options (including simple cautions where the individual admits guilt), could also be clearer. This reflects some businesses’ perceptions that the SIA lacks enforcement teeth, or is reluctant to act on cases of non-compliance outside certain high profile areas. We acknowledge that the enforcement resources open to the regulator are limited but industry stakeholders made it clear to us that they expected to see more enforcement action taking place. There is necessarily a trade-off here between the level of licence fees however and expenditure on enforcement, and this needs to be made clear to industry. The SIA’s enforcement strategy necessarily needs to choose its targets, but will need to evolve as its work develops. High profile enforcement actions in chosen areas can help send out strong signals in particular sectors, and the SIA has made good use of the enforcement part of its website.

<sup>7</sup> *Regulatory Justice: Making Sanctions Effective*, November 2006, pp.88-89.

<sup>8</sup> Source: <http://www.hse.gov.uk/pubns/hse41.pdf>

**Good Practice: The Enforcement section of the SIA's website**

The *Enforcement* section of the SIA's website was developed in response to the findings of research it commissioned in early 2008. The research found that misconceptions within the private security industry on how SIA licensing is enforced had resulted in a perception that enforcement was not happening. The SIA created a new area on its website dedicated to explaining its approach to enforcement and providing visibility on the wide range of enforcement activity undertaken.

The *Enforcement* section includes items such as:

- information on the penalties for non-compliance;
- an explanation of the SIA's enforcement approach and how enforcement activity is directed by the intelligence it receives;
- statistics relating to the SIA's enforcement activity, updated on a monthly basis;
- details of how to report non-compliance, and an online form through which to do so;
- case studies explaining what the SIA does with the information it receives.

## Focus on Outcomes

### Hampton principle

*“Regulators should measure outcomes and not just outputs.”*

## Key findings

- **Management information in relation to licensing services has improved, and appears to be resulting in more consistent service levels**
- **The regulatory outcomes that the SIA specifically is trying to achieve (both with its partners and in isolation) could be clearer**

## Background

- 108** The SIA has a number of objectives. These are based partly on the provisions of PSIA 2001, but also on service agreements with the Home Office. The SIA listed the following objectives in its Corporate & Business Plan 2008/09:
- reduce criminality within the private security industry;
  - raise quality standards within the private security industry;
  - continually improve and develop our organisation and our performance;
  - meet financial targets and demonstrate value for money to the Home Office and fee paying customer;
  - build on our credibility with stakeholders;
  - review the application of the Private Security Industry Act 2001.
- 109** Translating objectives into measurable outcomes is a challenge for all regulators. For instance, one of the regulatory outcomes that the SIA is trying to achieve

is that of public confidence in the security industry but this will reflect a wide range of factors that fall outside the SIA’s immediate control. The actions of a number of other agencies, most importantly the industry itself, but also that of local authorities, the police, Government Departments and agencies are relevant here. Nevertheless, the adoption of clear measurable outcomes can have significant benefits in giving a clearer focus on those actions which have the most decisive results upon those outcomes. The Review Team had a number of observations in relation to the way that the SIA uses outcomes: customer outcomes for licence applicants, outcomes that are shared with other regulators, and broader SIA-specific outcomes.

### **Management information in relation to licensing services has improved, and this appears to be resulting in more consistent service levels**

- 110** One critical area for the SIA has been the outcomes experienced by its licensing customers. The NAO report, “Regulating the Service Industry” (2008) noted that

some of the problems in the system had arisen from deficiencies in the management information available to those – both in the SIA and outside – responsible for supervising it.

- 111** We were impressed with the work that had been done to make up for these deficiencies since the time of the NAO report, and believe that there is now a sound basis for further improvement in services. It is not possible at this stage to tell how resilient the system will be to future challenges (notably the relicensing of many individuals whose three year licences are coming up for renewal this year, and the increase in the demand for licensing which will arise in relation to security services for the 2012 games, and any increase in demand associated with the current economic downturn), but there is good evidence that some of the delays which have been inherent in the system over previous years are being dealt with. For instance, the SIA met their target that 80% of applications from UK/EEA nationals should be processed within 33 days consistently between August and December 2008. If this pace of service improvement is maintained, we expect that this will have a significant impact on stakeholders' perceptions of the SIA's work. The SIA is working to enhance the licensing system further. It cites a number of measures, including independent research and "mystery shopping" that will help secure continuous improvement of the service, and we would encourage it to explore these possibilities further.

**The regulatory outcomes that the SIA specifically is trying to achieve (with its partners and separately to them) – could be clearer**

- 112** Some of the ultimate outcomes that the SIA is trying to achieve – notably public assurance regarding the security industry – are shared with other regulators. The prevention of serious organised crime is a

priority for the police; the prevention of public disorder in town centres is a priority for local authorities and the police. It is a priority for the UKBA to ensure that the workforce is made up of people entitled to live and work in the UK. The SIA has established strong working relationships with the police; we spoke to one of their representatives who felt that the SIA understood their priorities, and worked well in securing joint action in practice.

- 113** The relationship with local authorities has been less close. There are limits to the resources that the SIA can devote to relationships with individual local authorities (some of whom are engaged via police-led partnerships in any case) but we feel that more could be done to establish a more strategic relationship with local authorities as enforcement partners. Joint routine working is critical here (for instance in sharing intelligence products), but we have more of a strategic than an operational approach in mind. Generally speaking, public order is an important issue for local politicians: some relatively cost-effective work could be done in raising the profile of the PSIA 2001 with them as an enforcement tool that fits well with their own responsibilities, which are largely delivered through the Licensing Act 2003. We believe that more could be done to raise the SIA's understanding of the structure and workings of local government: further discussion with LACORS and the Local Better Regulation Office on this specific issue might be helpful.
- 114** The fit with these two key partners is not complete however: incentives and outcomes are not wholly aligned. To take one example, police who interact daily with door supervisors can be hesitant to insist on strict compliance with PSIA 2001 unless it is symptomatic of wider criminality. The SIA, rightly, has more regulatory distance from this part of the

sector. Here and in other areas, the SIA has a distinctive regulatory “niche” where its own actions are critical.

**115** We believe that confidence within the security industry in the integrity and effectiveness of the regulatory system remains a salient issue. The SIA has done some important work in trying to establish its credibility: some high-profile prosecutions of larger firms who had shown a deliberate disregard for the licensing law is a good example here. Nevertheless, some areas of concern remain: many of the industry stakeholders

felt that training fraud was a serious issue, for instance. We are not in a position to comment on the validity of this perception, but it remains a hurdle to complete confidence. The SIA Corporate and Business Plan contains some important measures against specific actions (for instance, “Proportion of intelligence-led compliance interventions resulting in measurable improvement in compliance within 90 days”). However, we believe that the use of a survey measure regarding the industry’s confidence in the system might provide a useful framework for further action.

## Appendix 1: Review Team membership

**Rosie Chapman** is Executive Director of Policy and Effectiveness at the Charity Commission, with responsibility for leading the Commission's policy developments, its charity effectiveness and partnership work, strategic planning and corporate affairs activities. Prior to joining the Commission in 2001, Rosie spent six years at the Housing Corporation in a variety of roles culminating as Assistant Director (Regulation Policy). In the past she has worked for New Islington & Hackney Housing Association, acting as company secretary for a number of charitable organisations, and in local government. Rosie is a Fellow of the Institute of Chartered Secretaries and Administrators, a Fellow of the Royal Society of Arts and a board member of Homes for Haringey.

**Mark Halliday** joined the NAO as a Corporate Finance adviser and has led NAO work on public/private commercial activity, including the sale of the Dome, the collapse of British Energy plc and the wider markets initiative. His earlier career was in the power project development arm of Japan's Marubeni Corporation, at the specialist financial advisor Operis Group and as an advisor to a private equity company in the Middle East. He has an MBA from EAP/ESCP in Paris.

**Rena Lalgie** joined the Department for Business (BIS) in January 2008 and leads the team with responsibility for reducing unnecessary bureaucracy on front-line public sector workers and the relationship with the Home Office, Ministry of Justice, Department of Health, Department for Children Schools and Families and the Department for Innovation Universities and Skills. A career Civil Servant, Rena has held posts in the Home Office, Cabinet Office and HM Treasury where she worked on the past two spending reviews. Rena is also a Justice of Peace in the City of Westminster.

**Paul Ramsden** joined the Trading Standards Institute as its Deputy Chief Executive to provide operational and strategic management across the organisation in 2003. He has wide experience of the public sector through a career in local government, leading to the management of two regulatory service areas and extensive stakeholder engagement with central government departments and other bodies. Over the last few years he has led TSI policy work particularly in relation to the regulatory reform agenda, assisting with the construction of the Regulatory, Enforcement and Sanctions Act and influencing its successful passage through Parliament.

## Appendix 2: Key findings and conclusions of the Hampton and Macrory reports

### Hampton principles of inspection and enforcement

- Regulators, and the regulatory system as a whole, should use comprehensive risk assessment to concentrate resources on the areas that need them most
- No inspection should take place without a reason
- Regulators should provide authoritative, accessible advice easily and cheaply
- All regulations should be written so that they are easily understood, easily implemented, and easily enforced, and all interested parties should be consulted when they are being drafted
- Businesses should not have to give unnecessary information, nor give the same piece of information twice
- The few businesses that persistently break regulations should be identified quickly, and face proportionate and meaningful sanctions
- Regulators should recognise that a key element of their activity will be to allow, or even encourage, economic progress and only to intervene when there is a clear case for protection
- Regulators should be accountable for the efficiency and effectiveness of their activities, while remaining independent in the decisions they take
- Regulators should be of the right size and scope, and no new regulator should be created where an existing one can do the work
- When new policies are being developed, explicit consideration should be given to how they can be enforced using existing systems and data to minimise the administrative burden imposed

Source: Hampton Report, Box E2 page 7

## Macrory's principles and characteristics of an appropriate sanctioning regime

A sanction should:

1. Aim to change the behaviour of the offender;
2. Aim to eliminate any financial gain or benefit from non-compliance;
3. Be responsive and consider what is appropriate for the particular offender and regulatory issue, which can include punishment and the public stigma that should be associated with a criminal conviction;
4. Be proportionate to the nature of the offence and the harm caused;
5. Aim to restore the harm caused by regulatory non-compliance, where appropriate; and
6. Aim to deter future non-compliance.

Regulators should:

1. Publish an enforcement policy;
2. Measure outcomes not just outputs;
3. Justify their choice of enforcement actions year on year to stakeholders, Ministers and Parliament;
4. Follow up enforcement actions where appropriate;
5. Enforce in a transparent manner;
6. Be transparent in the way in which they apply and determine administrative penalties; and
7. Avoid perverse incentives that might influence the choice of sanctioning response.

*Source: Macrory Report, Box E1 page 10*

## Appendix 3: Review scope and methodology

The review focused on those aspects of the Security Industry Authority's activities where we considered that its actions have the most impact on business. This meant that the majority of the Authority's work was in scope.

Our methods included:

- interviews with a wide range of SIA staff including senior managers;
- interviews with other stakeholders including the trade bodies in the security sector and business representative groups;
- focus groups of SIA policy staff and compliance staff
- observational visits including inspections; and
- document review, including the SIA's high level strategies and plans.

The review process is described in *Hampton Implementation Reviews: Guidance for Review Teams* (available at <http://www.berr.gov.uk/files/file48275.pdf>). It is not the same as a full value-for-money audit of economy, efficiency and effectiveness and the review team's conclusions are both evidence- and judgement-based. These judgements, however, have been made drawing on a range of evidence from different sources, including those described above. Judgements have not been based on evidence from a single source – the review team has sought to bring together evidence from a number of different businesses or organisations, and from SIA staff, policy officials and senior managers.

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